

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION  
INDUSTRIAL DEVELOPMENT BONDS**

**Meeting Date: July 24, 2007**

***Request for Initial and Final Resolution for Tax Exempt Bond Approval***

Prepared by: *Deana Carrillo*

<b>Issuer:</b>	California Enterprise Development Authority (CEDA)	<b>Amount Requested:</b>	\$8,500,000
<b>Borrower:</b>	Semper Virens Bakery Food Cooperative, Inc. and/or a related party	<b>Application No.:</b>	07-0011
<b>User:</b>	Semper Virens Bakery Food Cooperative, Inc. and/or a related party	<b>IR &amp; FR No.:</b>	07-0011
<b>Location:</b>	City of Petaluma, Sonoma County		

**BORROWER/USER/BACKGROUND:** Semper Virens Bakery Food Cooperative, Inc. and/or a related party (“Semper Virens” or the “Company”) was incorporated in 1980 in California. The Company produces and distributes a variety of organic, whole grain breads, bagels, rolls, tortillas and other baked items. It sells its branded baked goods primarily to grocery store chains, grocery distributors, and natural whole food distributors, including: Whole Foods, Raleys, Safeway, Costco, C&S Wholesale Grocers, Wakerfern Food Corporation, and The Galub Corporation. The Company’s current production facility operates in the City of Rohnert Park, and it has two small bakery distribution depots in the City of Mountain View and the City of North Highlands.

For the proposed Project, the Company will be the Borrower of the bond proceeds and the User of the Project.

**PROJECT INFORMATION:** Semper Virens’ current production facility in the City of Rohnert Park is overcrowded and operating at capacity, which is causing production and plant inefficiencies. The Company intends to relocate its production facility. Bond proceeds will be used to purchase an existing 68,800 square foot building in the City of Petaluma. The Company will also make improvements to the building and will purchase equipment, including high efficiency ovens, freezers, and packaging and material handling systems. The Petaluma facility is approximately 12.5 miles from the existing facility in Rohnert Park. All employees currently working at the Rohnert Park facility will retain their positions and transfer to the Petaluma facility. In addition, the Project will expand the Company’s production capacity, causing the Company to hire additional employees.

**Anticipated Timeline.** The Company intends to purchase the land and building mid-to-late September 2007. Bond proceeds will be used for equipment acquisition within 12 months of bond issuance. CEDA anticipates issuing the bonds in Fall 2007.

**Prior Actions/Financing:** None

**Local Government Support:** The Sonoma County Economic Development Board submitted a letter expressing its support for the project (Attachment A). The letter states that without IDB

financing, the County and the State of California would be in danger of losing jobs currently provided by the Company and forsaking future manufacturing jobs that Semper Virens is expected to create. The Issuer represents that the Company contemplated relocating its operations to Utah or Nevada. The County's letter also confirms that the Company will reuse an existing, vacant building.

**STATUTORY CRITERIA:** 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification. Staff assigned points to the Project based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

**Public Benefits:** Consistent with CDLAC guidelines, staff has assigned a total of 31 verifiable points to the Project. Five of the 31 points assigned are based upon the retention of 120 jobs and the creation of 21 jobs within two years of Project completion.

**Relocation of Company Operations (No point evaluation required):** The Company will be relocating approximately 12.5 miles from the City of Rohnert Park to the City of Petaluma. The Company provided a letter from the Rohnert Park City Manager in which he acknowledges the relocation of the Company's facility to Petaluma and verifies that the City of Rohnert Park does not object to the issuance of the bonds to finance the Project (Attachment D).

**Qualification of Bond Issuance (No point evaluation required):** Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believe the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

**STATUS OF PERMIT/OTHER REQUIRED APPROVALS:**

- The California Enterprise Development Authority (CEDA) adopted an Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on April 4, 2007.
- A TEFRA hearing was held by the County of Sonoma on March 20, 2007.
- The Company provided verification from the Sonoma County Economic Development Department that the Project meets local land use and zoning requirements.

**FINANCING DETAILS:** The Project will be funded with tax-exempt Industrial Development Bonds (IDB's) secured by a Letter of Credit from Comerica Bank. The anticipated rating of the bonds will be A+/F1 by Fitch. The bonds will have a term of no more than 30 years.

**FINANCING TEAM:**

**Issuer:** California Enterprise Development Authority (CEDA)  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Gates Capital Corporation  
**Financial Advisor:** Growth Capital Associates, Inc.

**LEGAL QUESTIONNAIRE:** Staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

**RECOMMENDATION:** Staff recommends approval of Initial and Final Resolution Nos. 07-0011 for an amount not to exceed \$8,500,000 in tax-exempt bonds for Semper Virens Bakery Food Cooperative, Inc. and/or a related party, subject to staff analysis and approval of final bond documents, including receipt of bond counsel's opinion and CDLAC allocation approval, as set forth in Initial and Final Resolution Nos. 07-0011.

**SEMPER VIRENS BAKERY FOOD  
COOPERATIVE, INC. AND/OR A  
RELATED PARTY**

**Bond Amount: \$8,500,000**

City of Petaluma, Sonoma County

Application No. 07-0011

July 24, 2007

**STAFF SUMMARY – CIDFAC**

**Prepared by:** *Deana Carrillo*

**ISSUE:**

On behalf of Semper Virens Bakery Food Cooperative, Inc. and/or a related party ( “Semper Virens” or the “Company”), the California Enterprise Development Authority (“CEDA” or the “Issuer”) requests approval of Initial and Final Resolution Nos. 07-0011 for an amount up to \$8,500,000 in tax-exempt bonds. Bond proceeds will be used for acquisition of land, acquisition and renovation of an existing building, the acquisition and installation of new production equipment, including high efficiency ovens, freezers, and packaging and material handling systems, and payment of certain costs of issuance and credit enhancement costs.

**CDLAC.** The Company has applied for CDLAC allocation at the July 25, 2007 meeting.

**BORROWER/USER:**

Semper Virens Bakery Food Cooperative, Inc. was incorporated in 1980 in California. The Company is operated as a Cooperative. Most of the Company’s 120 employees are cooperative members and shareholders, and own the voting stock of the Company. Semper Virens produces and distributes a variety of organic, whole grain breads, bagels, rolls, tortillas and other baked items. It sells its branded baked goods primarily to grocery store chains, grocery distributors, and natural whole food distributors, including: Whole Foods, Raleys, Safeway, Costco, C&S Wholesale Grocers, Wakerfern Food Corporation, and The Galub Corporation. The Company’s current production facility operates in the City of Rohnert Park, and it has two small bakery distribution depots in the City of Mountain View and the City of North Highlands.

For the proposed Project, the Company will be the Borrower of the bond proceeds and the User of the Project.

**Legal Questionnaire.** Staff has reviewed the Borrower’s/User’s responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

**Prior Actions and Financings.** The Company has no outstanding tax-exempt financings.

**LOCAL GOVERNMENT SUPPORT:**

The Sonoma County Economic Development Board submitted a letter expressing its support for the project (Attachment A). The letter states that without IDB financing, the County and the

State of California would be in danger of losing jobs currently provided by the Company and forsaking future manufacturing jobs that the Company is expected to create. The Issuer represents that the Company contemplated relocating its operations to Utah or Nevada. The County's letter also confirms that the Company will reuse an existing, vacant building.

**PROJECT INFORMATION:**

The Company's current production facility in the City of Rohnert Park is overcrowded and operating at capacity, which is causing production and plant inefficiencies. Semper Virens intends to relocate its production facility. Bond proceeds will be used to purchase and make improvements to land and a 68,800 square foot building in the City of Petaluma. The land and building will be purchased from Adobe Creek Partners, LLC. The Company will also use bond proceeds to purchase equipment, including high efficiency ovens, freezers, and packaging and material handling systems. The Petaluma facility is approximately 12.5 miles from the existing facility in Rohnert Park. All employees currently working at the Rohnert Park facility will retain their positions and transfer to the Petaluma facility. In addition, the Project will expand the Company's production capacity, which will cause the Company to hire additional employees.

The anticipated Project and issuance costs are listed below:

Acquisition of Land .....	\$2,000,000
Acquisition of Existing Buildings .....	4,500,000
Equipment and Installation .....	1,830,000
Bond Issuance Expenses .....	<u>170,000</u>
<b>Total: .....</b>	<b><u>\$8,500,000</u></b>

**Anticipated Timeline.** The Company intends to purchase the land and building mid-to-late September 2007. Bond proceeds will be used for equipment acquisition within 12 months of bond issuance. CEDA anticipates issuing the bonds in Fall 2007.

**Status Of Permit/Other Required Approvals:**

- The California Enterprise Development Authority (CEDA) adopted an Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on April 4, 2007.
- A TEFRA hearing was held by the County of Sonoma on March 20, 2007.
- The Company provided verification from the Sonoma County Economic Development Department that the Project meets local land used and zoning requirements.

**STATUTORY CRITERIA:** 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification. The points noted below have been awarded based on an evaluation consistent with CDLAC guidelines. However, CDLAC does not require the awarding of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** Staff assigned a total of 31 verifiable points to the Project, which are detailed below:

**Community Economic Need (5 points):**

**Employment Benefits (Job Creation/Retention = 5 points):** The Company represents that it currently employs 120 individuals and anticipates hiring an additional 21 employees within two years of Project completion.

**Welfare-to-Work Plan (5 points):** The Company provided a letter from the County of Sonoma Human Services Department that verifies its participation in CALWorks Welfare-to-Work program (Attachment B).

**Health Care Benefits (5 points):** The Company provided documentation of its contribution to the medical, dental and vision insurance plan for 101 of its 120 employees and their families (i.e. coverage for 84% of current employees). The contribution translates into an average of \$761 per month toward the health care benefits of each employee. All employees are eligible to participate in this insurance plan once they have successfully completed a probationary period and obtain permanent employment status.

**Average Hourly Wage (1 points):** The Company's average hourly wage is \$18.35, while the Metropolitan Statistical Area (MSA) for Santa Rosa/Petaluma has an average manufacturing wage of \$17. Therefore, the Company's average hourly wage is 108% of the MSA for Santa Rosa/Petaluma.

**Land Use/Energy Efficiency (15 points):** The Company provided a letter from the Sonoma County Economic Development Board that verifies that the proposed project will reuse an existing, vacant building (Attachment A).

The Project is located in a Public Transit Corridor. Petaluma Transit Route 2 – South McDowell runs within one quarter mile of the Project site.

The Company provided letters from McDevitt & McDevitt Construction Corp. and C.H. Bapp Co., Inc. verifying that it will include several energy savings designs and equipment at the Project site, which will reduce energy consumption. The new energy savings features will result in an energy savings of at least 15 percent when compared to the California Energy Commissions 2005 Building Energy Efficiency Standards Nonresidential Compliance Standards (Attachment C).

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will be relocating approximately 12.5 miles from the City of Rohnert Park to the City of Petaluma. The Company provided a letter from the Rohnert Park City Manager in which he acknowledges the relocation of the Company's facility to Petaluma and verifies that the City of Rohnert Park does not object to the issuance of the bonds to finance the Project (Attachment D).
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be

issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

**FINANCING DETAILS:**

The Project will be funded with tax-exempt Industrial Development Bond (IDB's) secured by a Letter of Credit from Comerica Bank. The anticipated rating of the bonds will be A+/F1 by Fitch. The bonds will have a term of no more than 30 years.

**FINANCING TEAM:**

**Issuer:** California Enterprise Development Authority (CEDA)  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Gates Capital Corporation  
**Financial Advisor:** Growth Capital Associates, Inc.

**RECOMMENDATION:** Staff recommends approval of Initial and Final Resolution Nos. 07-0011 for an amount not to exceed \$8,500,000 in tax-exempt bonds for Semper Virens Bakery Food Cooperative, Inc. and/or a related party, subject to staff analysis and approval of final bond documents, including receipt of bond counsel opinion and CDLAC allocation approval, as set forth in Initial and Final Resolution Nos. 07-0011.

INITIAL AND FINAL RESOLUTION  
OF THE  
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING  
ADVISORY COMMISSION (CIDFAC)  
INDUSTRIAL DEVELOPMENT BONDS  
IR/FR No. 07-0011

WHEREAS, California Enterprise Development Authority (Authority) has transmitted the application of Semper Virens Bakery Food Cooperative, Inc. and/or a related party (Applicant) for the issuance of \$8,500,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the Commission) that it has adopted a resolution declaring its intention to issue such bonds and that the County of Sonoma has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$8,500,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of



substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution,
- (v) Letter of Credit, and

**Agenda Item – 4.A.3.**

(vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

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**SONOMA COUNTY ECONOMIC DEVELOPMENT BOARD**

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Ben Stone, Director

May 22, 2007

Ms. Paula Connors  
Executive Director  
California Enterprise Development Authority  
550 Bercut Drive, Suite G  
Sacramento, CA 95814

**Re: Semper Virens Bakery Food Cooperative, Inc./  
Alvarado Street Bakery Project**

Dear Ms. Connors:

Sonoma County is pleased that Semper Virens Bakery Food Cooperative, Inc. DBA Alvarado Street Bakery ("Alvarado") has made the decision to retain and expand its headquarters and manufacturing operations in our community. The County supports this project and Alvarado's application for Industrial Development Bond ("IDB") financing.

The availability of low-interest rate IDB financing was an important factor in Alvarado's decision to stay in Sonoma County and California. We encourage the California Enterprise Development Authority, California Industrial Development Financing Advisory Commission and the California Debt Limit Allocation Committee to approve Alvarado's application for IDB financing as quickly as possible to avoid any possible delays with the project and future expansion plans.

Alvarado's new facility will reuse an existing, vacant building located at 2225/2249 South McDowell Boulevard Extension in Petaluma. This building is zoned for industrial and manufacturing uses and is well suited for Alvarado's operations. No zoning or land use approvals are required for Alvarado's use.

The food industry business cluster is a key element in Sonoma County's economic vitality. While premium wine production is most often associated with our region, Sonoma County is home to a large concentration of businesses that produce innovative organic and health food products. Alvarado has thrived in this environment, creating approximately 115 high paying, quality "core" jobs for the residents of the County. By acquiring a larger production facility in Petaluma, Alvarado is making a long-term commitment to retain and expand its workforce in Sonoma County and California.

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Fostering a Healthy Economy

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COUNTY OF SONOMA



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Family, Youth & Children's Division  
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May 22, 2007

Joseph Tuck  
Alvarado St Bakery  
500 Martin Ave  
Rohnert Park, CA 94928

Regarding: Welfare-to-Work Hiring Program

Dear Mr. Tuck:

We are acknowledging your desire to identify job candidates from individuals' participating in our Welfare-to-Work programs. We are very interested in your expansion plans in the south County area. This is an area in the community that is served by our various programs.

I will forward your interest to a couple of different programs so that you receive some information in due course. Please do not hesitate to call if you have any questions regarding our programs.

Congratulations on your expansion plans!

Sincerely,

Karen Fies  
Director  
Employment & Training Division

**McDevitt & McDevitt**  
**CONSTRUCTION CORP.**



May 21, 2007

Ms. Paula Connors  
Executive Director  
California Enterprise Development Authority  
550 Bercut Drive, Suite G  
Sacramento, CA 95814

Dear Ms. Connors,

As the general contractor engaged by Semper Virens Bakery Food Cooperative Inc. (d.b.a. Alvarado Street Bakery) to construct new office space, we have employed many energy savings designs and equipment that we believe will reduce energy consumption in the office section by a substantial percentage.

Some examples of this would be the selection of WeatherMaster's high efficiency rooftop mounted HVAC units. The units exceed the California Energy Efficiency Standards for residential and non-residential buildings. Each of the interior light systems will have automatic shutoff controls and distinct occupancy sensors.

The Alvarado Street Bakery Project is certified compliant with all lighting and mechanical performance requirements surpassing mandatory measures set forth by the State of California Title 24 resulting in energy savings beyond those realized by (i) Title 24, (ii) commonly accepted industry efficiency standards and (iii) Alvarado's existing production operations.

Sincerely,  
McDevitt & McDevitt Construction

Joseph H. Sherman  
Project Manager / Estimator

cc: Ed Brush  
File



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Email: sales@chbabb.com • Website: www.chbabb.com

Ms. Paula Connors  
Executive Director  
California Enterprise Development Authority  
550 Bercut Drive, Suite G  
Sacramento, CA 95814

Re: Alvarado Street Bakery

Dear Ms. Connors,

Alvarado Street Bakery has purchased from our firm a new high efficiency tunnel oven for use in their new bakery to be located in Petaluma, California. The new oven utilizes an advanced "Air-Impingement" baking technology for superior energy efficiency. The new system will provide Alvarado Street Bakery with energy savings of at least 15 to 20% when compared to conventional baking technology.

Please feel free to contact me if you have questions or need additional information.

Sincerely,

Kevin Wilkinson

Project manager, manufacturer's representative

Direct phone: 650-333-7873

**Attachment D**

**Agenda Item – 4.A.3.**



April 17, 2007

Paula Connors , Executive Director  
California Enterprise Development Authority  
550 Bercut Drive, Suite G  
Sacramento, CA 95814

**City Council**

Vicki Vidak-Martinez  
Mayor

Jake Mackenzie  
Vice-Mayor

Amie L. Breeze  
Tim Smith  
Pam Stafford  
Council Members

Stephen R. Donley  
City Manager

Daniel Schwarz  
Assistant City Manager

Judy Hauff  
City Clerk

Michelle Marchetta Kenyon  
City Attorney

Gabrielle P. Whelan  
Assistant City Attorney

Thomas R. Bullard  
Director of Public Safety

Ron Bendorff  
Director of Community Development

Darrin W. Jenkins  
Director of Public Works /  
City Engineer

Sandra M. Lipitz  
Director of Administrative Services

**SUBJECT: Semper Virens Bakery Food Cooperative, Inc. Project**

Dear Ms. Connors:

The City of Rohnert Park has been made aware that Semper Virens Bakery Food Cooperative, Inc., dba Alvarado Street Bakery ("User"), currently located at 500 Martin Avenue in Rohnert Park, is in the process of acquiring a facility on South McDowell Boulevard Extension in the City of Petaluma, and may eventually relocate its operations to this site. Further, the City has been informed that the User is seeking to utilize industrial development bonds ("Bonds") to fund costs associated acquiring and equipping this facility in Petaluma.

The City regrets that Semper Virens Bakery Food Cooperative was unable to find a suitable location in Rohnert Park. To the extent that it is asked of the City by applicable law, this letter is to verify that there is no objection to the issuance of the Bonds for the benefit of the User.

Please do not hesitate to call if you have any questions regarding this correspondence.

Sincerely,

Steve Donley  
City Manager